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Argentina

Trade Policy Monitoring

Export Taxes Increased for Grains and Oilseeds 2002

Approved by:

David Mergen

U.S. Embassy

Prepared by:

David Mergen

Report Highlights:

The Argentine Government increased the export tax on soybeans and sunflower to 23.5 percent and for corn, wheat and oilseed products (including wheat flour, oilseed meal and oil) to 20 percent, effective April 9, 2002. The export tax continues to be 10 percent for fruits and rice, and 5 percent for most processed products (including beef, pork and poultry).

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Buenos Aires [AR1], AR

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Export Taxes Increased for Grains and Oilseeds

The Argentine Government increased the export tax on grains and oilseeds, effective April 9, 2002. The new export tax is 20 percent for wheat, corn, sorghum, wheat flour, soybean meal and oil, sunflower meal and oil, and other grain and oilseed products. The export tax was increased to 23.5 percent for unprocessed soybeans, sunflower and peanuts.

The tax increase was published on April 8 as Resolution M.E. No. 35/2002 of April 5, 2002. The regulation establishes a 20 percent export tax for all products listed in Table 1. Export taxes established under this regulation are in addition to export taxes in place prior to March 4, such as the 3.5 percent tax on unprocessed oilseed exports.

The Argentine Government increased the export taxes to generate additional revenue (overall tax revenues have been falling due to the economic crisis) and reduce domestic prices for sensitive consumer products such as wheat flour and vegetable oil. Products covered by the tax increase cover approximately one-third of all Argentine exports.

The largest export tax increase was for wheat flour, vegetable oil, meal and other processed products, which were previously charged 5 percent. Grains were assessed 10 percent prior to this increase, while oilseeds were charged 13.5 percent.

The export tax on all other products not listed in Table 1 remains the same as established in the initial export tax regulation published on March 5, 2002 as Resolution M.E. No. 11/2002 (see report AR2018 dated March 11, 2002). Most unprocessed products (such as fruits and rice) continue to pay 10 percent and processed products (including meat) pay 5 percent.

The differential between the export tax for grains and soybean meal (20 percent) and the meat export tax (5 percent) is expected to result in higher domestic feed use, as feeding livestock becomes a more profitable alternative. The pork and poultry sector were under heavy pressure from Brazilian imports prior to the devaluation in January, but both sectors are expected to become much more competitive internationally as a result of the lower operating and feed costs coming from the devaluation and differential export tax. The largely grass fed beef sector is expected to increase in feed use much less, due to low cattle prices and limited export markets (some major markets are closed due to foot-and-mouth disease restrictions) .

A comparison of taxes paid by major sectors and tax reimbursements for exported products is shown in Table 2. Despite the higher export tax, products sold for domestic consumption continue to pay higher taxes than most products sold for export, largely due to value added tax (VAT) and other tax (reintegro) reimbursements for exports. The grain and oilseed sector is

subject to much higher taxes than other sectors (with the possible exception of petroleum).

Argentine Agriculture Secretary Paulon turned in his resignation shortly after announcement of this week's increase in the export tax. The resignation has not, however, been formally accepted as the government is reportedly trying to convince Secretary Paulon to stay in office. At this time, it is unclear whether Secretary Paulon will continue in office, since he is reportedly considering staying if changes are made in the export tax regime and steps are taken to reduce farm debts to input suppliers.

Table 1: Products Subject to New 20 Percent Export Tax, listed by HS Code

Oilseeds are subject to an additional tax of 3.5 percent as indicated below.

Source is Resolution M.E. No. 35/2002, dated April 5, 2002

Wheat	Cereal Meal/Pellets	Other Oilseeds	Cottonseed Oil Oth
10011010	11031100	12076090	15122990
10011090	11031200	12079910	Linseed Oil
10019010	11031300	12079990	15151100
10019090	11031900	Oilseed Flour	15151900
Rye	Other Worked Cereals	12081000	Corn Oil
10020090	11041200	12089000	15152100
Barley	11042300	Forage Seeds	15152910
10030010	11043000	12091900	15152990
10030091	Potato Flour/M Meal	12092100	Other Oil
10030098	11051000	12092200	15159000
10030099	11052000	12092300	Vegetable Fats
Oats	Malt	12092500	15162000
10040010	11071010	12092900	Margarine, etc.
10040090	11071020	12093000	15171000
Corn	11072010	12099100	15179010
10051000	11072020	12099900	15179090
10059010	Starches/Inulin	Other Plants	Processed Veg Fats
10059090	11081100	12119090	15180000
Grain Sorghum	11081200	12129900	Vegetable Waxes
10070010	11081900	12141000	15211000
10070090	11082000	12149000	Soybean Meal
Millet	Wheat Gluten	Soybean Oil	23040010
10081010	11090000	15071000	Sunflower Meal
10081090	Soybeans (23.5%)	15079011	23063010
10082090	12010010	15079019	
10083090	12010090	15079090	
10089090	Peanuts, unroasted (23.5%)	Peanut Oil	
Wheat flour	12021000	15081000	
11010010	12022090	15089000	
11010020	Flaxseed (23.5%)	Sunflower Oil	
Other Cereal Flours	12040090	15121110	
11021000	Sunflower seeds (23.5%)	15121120	
11022000	12060010	15121911	
11029000	12060090	15121919	

Note: Under the Harmonized System (HS), all tariff codes are the same internationally at the 6-digit level. The 20 percent export tax is in addition to export taxes in place prior to March 4, 2002, such as the 3.5 percent tax on soybeans, sunflower and unprocessed peanuts.

Table 2: Comparison of Taxes on Exports and Domestic Consumption
Argentine Tax Structure as of April 9, 2002

Tax	Grains/ Oilseeds		Livestock Sector		Fruit Sector		Industry 3/	
	Export	Dom.	Export	Dom.	Export	Dom.	Export	Dom.
	%	%	%	%	%	%	%	%
VAT Paid 1/	21	21	10.5	10.5	21	21	21	21
VAT Returned	(21)	0	(10.5)	0	(21)	0	(21)	0
Export Subsidy	--	--	--	--	(4)	--	--	--
Export Tax	20	0	5	0	10	0	5	0
Reintegro Rebate 2/	0	0	(2.7)	0	(5)	0	(5)	0
Tax Paid	20	21	2.3	10.5	1	21	0	21
Change 4/:	+20	--	+5	--	+10	--	+5	--

1/ The value added tax (VAT) for beef was reduced to 10.5 percent to reduce tax evasion. The government is currently considering lowering the VAT on grains to 10.5 percent.

2/ The "reintegro" is a rebate of non-VAT indirect taxes, such as sales and fuel taxes, and varies depending on the level of processing and package size. Reintegros in the meat sector range between 1.3 and 5 percent. The reintegros for most fruits range between 3.4 and 6 percent, while reintegros in the industrial sector range between 0 and 6 percent.

3/ Excludes petroleum and petroleum products.

4/ Increase in taxes paid (percentage points) as compared to 2001.